



**Jackson, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

For the Year Ended June 30, 2007

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# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

For the Year Ended June 30, 2007

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

November 12, 2007

Board of Education  
Jackson County Intermediate School District  
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Jackson County Intermediate School District** (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Jackson County Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County Intermediate School District as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Special Education Special Revenue Fund and Vocational Education Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007, on our consideration of Jackson County Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County Intermediate School District's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Jackson County Intermediate School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Jackson County Intermediate School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management's Discussion and Analysis**

This section of the Jackson County Intermediate School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

## **Financial Highlights**

- The District's financial status became somewhat stronger, when compared to last year's financial position. The year-end Fund Balance in the General Fund changed very little, while the Fund Balance in the Special Education and Career and Technical Funds increased.
- Overall, revenues increased approximately \$3.8 million, or 7.2%, when compared to the prior year. The District continues to rely more on local revenue as funding from state sources increased by \$0.4 million (3.4%) to \$12.2 million. The District receives approximately 65% of its revenue from local sources.
- Federal sources now account for 13% of the District's revenue sources. Federal funds increased \$0.8 million dollars (12.7%) to \$7.4 million total.
- Total program costs, before considering internal transfers, remained virtually unchanged. Expenses increased by less than \$250,000, or 0.45%, as the ISD continues to support programming for its constituent local school Districts, especially in the area of Special Education. However, dating back to the fiscal year 2001, expenditures have increased only \$2.1 million in total, or an average of 0.6% per year.
- Management continues to seek ways to improve services to local districts and agencies in a more cost effective manner.

## **Overview of Financial Statements**

This annual report consists of three parts: Management's Discussion & Analysis (this part), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status. These statements are intended to give the reader of the financial statements a view of the District's operations comparable to for-profit financial statements.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements. The fund financial statements are depicted in the format past audits were presented.
- The *governmental fund statements* tell how basic services such as regular, special and career and technical education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary

information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

**Figure A-1**  
**Major features of the District-Wide and Fund Financial Statements**

		<u>Fund Financial Statements</u>	
	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary (the District has no proprietary funds) or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	Statement of Net Assets  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Fiduciary Net Assets  Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resource focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one measure of the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- ***Governmental activities:*** Most of the District's basic services are included here, such as regular, special and career and technical education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- ***Business-type activities:*** The District charges fees to help it cover the costs of certain services it provides.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as local taxes or federal grants.)

The District has two kinds of funds:

- ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences between them).
- ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the

assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The District's combined net assets on June 30, 2007 increased 9.6% to \$19 million, compared to the year before. The net asset total has remained unchanged, relatively, compared to the year June 30, 2003, when this measurement was first introduced. Most of this change in the District's financial position came from its increased governmental activities, particularly Operating Grants and Contributions, and from local property tax revenue. The Statement of Activities attempts to place the District's not-for-profit activities into a for-profit light. The Statement of Activities includes such charges as depreciation expense and gains on sales of depreciated assets. Normally, these items are not a part of a not-for-profit financial statement.

Net Assets		June 30,	
		<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Current & Other		\$17,185,047	\$14,584,265
Capital Assets, net		<u>9,835,682</u>	<u>10,211,222</u>
<b>Total Assets</b>		<u>27,020,729</u>	<u>24,795,487</u>
<b>Liabilities</b>			
Current and Other Liabilities		6,258,159	5,819,404
Long-Term Debt		<u>1,770,576</u>	<u>1,644,871</u>
<b>Total Liabilities</b>		<u>8,028,735</u>	<u>7,464,275</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt		9,774,386	10,130,741
Restricted		7,310,725	4,987,560
Unrestricted		<u>1,906,883</u>	<u>2,212,911</u>
<b>Total Net Assets</b>		<u><b>\$18,991,994</b></u>	<u><b>\$17,331,212</b></u>

**Changes in net assets.** The District's financial position is the product of many factors. The normal property tax base growth resulted in an increase of \$2.3 million in local revenue to the District. State aid increases in important areas resulted in an increase of less than \$100,000, as the state's economic outlook continues to loom large over all schools. Federal and other grant sources increased \$255,000.

The District's total revenues increased 7.2% to \$56.9 million. Local sources, including property taxes (65%), state aid (22%) and federal grant (13%) accounted for most of the District's revenue. It should be noted that more than 1/3 of the revenue increases were the result of an increase in operating grants and contributions, which are not guaranteed from year to year.

The total cost of all programs and services increased \$600,000 (1.1%) to \$54.9 million. Almost \$500,000 of the increase resulted from direct student instructional services, while an additional \$100,000 of the increase was to support pupils and constituent districts.

The commitment of the Board of Education and management is to provide effective programs for all students in Jackson County, while striving to do so in a most cost efficient manner. The District's expenses are predominantly related to instructing (25%), providing services for pupils (46%) and direct payments to local school districts (27%). Instructional costs relate specifically to providing career and technical education to students of local school districts and to providing special education instruction to other students of local districts, too. The higher support services ratio would be consistent with the purpose of intermediate school districts, as regional educational service agencies, which is to provide support programs to districts in order to educate more efficiently and effectively, students in the county.

### Changes in Net Assets

	<b><u>For the Year Ended June 30,</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Revenue</b>		
Program Revenue:		
Charges for Services	\$ 273,209	\$ 294,146
Operating Grants and Contributions	16,205,144	14,873,330
General Revenue:		
Property Taxes	33,937,224	31,628,162
Unrestricted State Aid	4,421,248	4,330,468
Other General Revenue	<u>1,776,512</u>	<u>1,520,783</u>
<b>Total Revenue</b>	<b><u>56,613,337</u></b>	<b><u>52,646,889</u></b>
<b>Program Expenses</b>		
Instruction	13,941,337	13,442,935
Supporting Services	25,191,282	25,028,608
Payments to Other Governments	14,934,773	14,985,543
Interest on Long-Term Debt	2,744	3,557
Unallocated Depreciation	<u>882,419</u>	<u>894,284</u>
<b>Total Program Expenses</b>	<b><u>54,952,555</u></b>	<b><u>54,354,927</u></b>
<b>Change in Net Assets</b>	<b>1,660,782</b>	<b>(1,708,038)</b>
Net Assets, beginning of year	<u>17,331,212</u>	<u>19,039,250</u>
<b>Net Assets, end of year</b>	<b><u>\$18,991,994</u></b>	<b><u>\$17,331,212</u></b>

## Financial Analysis of the District's Funds

Two out three of the District's major governmental funds strengthened their financial position, while the third fund maintained its status. The General Fund decreased its position by 0.5% of its operating budget to \$1.69 million. The Career and Technical Education Fund, supported by designated millage funding, increased its financial position by 2.3% of its operating budget to \$3.7 million. The Special Education Fund, also supported by a designated millage, increased its financial position by 2.2% of its operating expenditures to \$1.8 million. The total financial position for all of the District's funds was increased by 4.2% of their operating funds to \$8.9 million. A strong financial position for the District is desirable in that it allows critical student and constituent District programs to be maintained and provides programming stability for the future.

## Budgetary Highlights of Major Funds

Over the course of the year, the District normally revises the annual operating budget two times. These budget amendments fall into two major categories:

- Changes made in the second quarter to account for updated salary and fringe benefit information which was not clear at the time the budget was adopted, and
- Changes made to reclassify budgeted expenditures from one program area to another

The first type of change would have little impact of increasing, or decreasing, the fund's overall budget projection. The second type of change would have no impact on a fund's overall budget, although cost areas within the fund could be impacted.

This year, the District amended its budget only one time, due to the uncertainty of state funding. The District delayed the amendment process in hopes of receiving updated funding information from the state. That information arrived late in the District's fiscal year..

The original budget for the District's three major funds projected a \$352,000 total deficit for the fiscal year. Actual results, compared to the original budget, for the major funds are reported as follows:

Jackson County Intermediate School District Analysis of Original Budget to Final Operating Results for Major Funds For the Fiscal Year Ending June 30, 2007 (All number in millions)												
General Education Fund				Special Education Fund			Career & Technical Education Fund			Total Major Funds		
	Budget	Actual	Variance Fav/(Unfav)	Budget	Actual	Variance Fav/(Unfav)	Budget	Actual	Variance Fav/(Unfav)	Budget	Actual	Variance Fav/(Unfav)
Revenue	7.2	7.7	0.5	37.6	38.9	1.3	11.6	11.6	0.0	56.4	58.2	1.8
Expenditure	7.6	7.7	(0.1)	37.6	37.9	(0.3)	11.5	11.4	0.1	56.7	57.0	(0.3)
Surplus/(Deficit)	(0.4)	0.0	0.4	0.0	1.0	1.0	0.1	0.2	0.1	(0.3)	1.2	1.5

- Total actual revenues were \$1.8 million more than budgeted. The District's local revenue was larger than anticipated, as well as federal revenues being increased due to the recognition of previously deferred revenue. This deferred revenue was offset with an identical recognition of

expenditures. The result is an increase of federal revenues and expenditures, with no impact on the District's final financial position.

- Total actual expenditures were \$300,000 less than budgeted.
- The projected deficit of \$300,000 for the combined major funds was actually a surplus of 1.2 million.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

The District's capital asset expenditures for the fiscal year were approximately \$507,000, or .9% of its total budget. The District's capital asset plan and facilities maintenance staff have protected the District's assets from deterioration with the constant and vigilant care required to maintain its capital asset investment at the levels of quality the District has enjoyed.

### ***Long-Term Debt***

The District is a secondary debtor on a note in which the state is primary holder. The debt is part of a state-wide settlement and was required so the state could fund, in part, its liability to Districts in the state. The Intermediate School District is the secondary debtor for its share of the under-funding payment. At year-end, the liability for this debt is \$1.7 million in principal and \$480,000 in interest. The debt is scheduled to expire in fiscal year 2013. The debt was refinanced to allow the state to take advantage of low interest rates experienced by the economy during the fiscal year.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of other circumstances that could significantly affect its financial health in the future. These include, but are not limited to:

- State Funding – With the economic challenge currently experienced by the state, lack of revenue growth from state sources continues to be a concern of the Board of Education and administration. Revenue is likely to impact state funding the District receives. Weak state funding would cause the District to rely more heavily upon its local funding and federal funding sources. This shift in reliance would impact the District's ability to plan for future programmatic and financial stability.
- Because local property taxes are the District's primary source of funding, slower growth or a decrease in the tax base would have a direct impact on District revenues. For this reason, the District will continue to be attentive to the potential implications of a weak housing market on the taxable values.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. John M. Graves, Superintendent, or Dan Zimolzak, CPA, Director of Finance, at (517) 768-5200.

## **Basic Financial Statements**

## **District-wide Financial Statements**

**Jackson County Intermediate School District**  
**Statement of Net Assets**  
**June 30, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,737,800
Investments	762,079
Receivables	5,681,659
Prepaid items and other assets	1,003,509
Capital assets, net	<u>9,835,682</u>
<b>Total assets</b>	<u>27,020,729</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	5,663,566
Unearned revenue	454,103
Long-term debt:	
Due within one year	140,490
Due in more than one year	<u>1,770,576</u>
<b>Total liabilities</b>	<u>8,028,735</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,774,386
Restricted for:	
Capital projects	1,480,100
Other purposes	5,830,625
Unrestricted	<u>1,906,883</u>
<b>Total net assets</b>	<u><u>\$ 18,991,994</u></u>

The accompanying notes are an integral part of these financial statements.



**Jackson County Intermediate School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<u><b>Functions / Programs</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>		<u><b>Net (Expense) Revenue</b></u>
		<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	
Governmental activities:				
Instruction	\$ 13,941,337	\$ 264,379	\$ 13,864,800	\$ 187,842
Supporting services	25,191,282	8,830	2,340,344	(22,842,108)
Payments to other governments	14,934,773	-	-	(14,934,773)
Interest on long-term debt	2,744	-	-	(2,744)
Unallocated depreciation	882,419	-	-	(882,419)
Total governmental activities	<u>\$ 54,952,555</u>	<u>\$ 273,209</u>	<u>\$ 16,205,144</u>	<u>(38,474,202)</u>
General revenues:				
Property taxes				33,937,224
Unrestricted state aid				4,421,248
Grants and contributions not restricted to specific programs				1,184,232
Unrestricted investment earnings				<u>592,280</u>
Total general revenues				<u>40,134,984</u>
Change in net assets				1,660,782
Net assets, beginning of year				<u>17,331,212</u>
<b>Net assets, end of year</b>				<u><u>\$ 18,991,994</u></u>

The accompanying notes are an integral part of these financial statements.

## **Fund Financial Statements**

**Jackson County Intermediate School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Durant Debt Service</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,766,309	\$ 1,972,955	\$ 4,015,328	\$ -
Investments	-	5,235	756,844	-
Due from other governments	869,397	2,240,398	723,632	1,732,309
Due from other funds	309,319	987,300	51,218	-
Long-term employee receivable	-	9,292	-	-
Note receivable	-	74,263	-	-
Inventories	82,687	-	-	-
Prepaid items	37,066	703,520	24,909	-
Land held for resale	-	-	155,327	-
	<u>-</u>	<u>-</u>	<u>155,327</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 4,064,778</u>	<u>\$ 5,992,963</u>	<u>\$ 5,727,258</u>	<u>\$ 1,732,309</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 674,639	\$ 140,949	\$ 53,795	\$ -
Salaries payable	41,120	1,695,680	552,663	-
Accrued expenditures	75,451	969,250	315,892	-
Due to other governments	49,440	785,518	309,169	-
Due to other funds	1,158,566	217,898	805,840	-
Deferred revenue	379,597	364,887	3,000	1,732,309
	<u>379,597</u>	<u>364,887</u>	<u>3,000</u>	<u>1,732,309</u>
Total liabilities	<u>2,378,813</u>	<u>4,174,182</u>	<u>2,040,359</u>	<u>1,732,309</u>
<b>Fund balances</b>				
Reserved for:				
Notes and long-term employee receivables	-	83,555	-	-
Prepays and inventories	119,753	703,520	24,909	-
Land held for resale	-	-	155,327	-
Unreserved:				
Undesignated	1,566,212	1,031,706	3,506,663	-
Undesignated, reported in nonmajor:				
Special revenue fund	-	-	-	-
Capital projects funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,685,965</u>	<u>1,818,781</u>	<u>3,686,899</u>	<u>-</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 4,064,778</u>	<u>\$ 5,992,963</u>	<u>\$ 5,727,258</u>	<u>\$ 1,732,309</u>

The accompanying notes are an integral part of these financial statement

<b>Other Governmental Funds</b>	<b>Totals</b>
\$ 983,208	\$ 9,737,800
-	762,079
28,542	5,594,278
909,077	2,256,914
-	9,292
-	74,263
-	82,687
-	765,495
-	155,327
<u>\$ 1,920,827</u>	<u>\$ 19,438,135</u>

\$ -	\$ 869,383
-	2,289,463
-	1,360,593
-	1,144,127
115,782	2,298,086
-	2,479,793
<u>115,782</u>	<u>10,441,445</u>

-	83,555
-	848,182
-	155,327
-	6,104,581
324,945	324,945
<u>1,480,100</u>	<u>1,480,100</u>
<u>1,805,045</u>	<u>8,996,690</u>
<u>\$ 1,920,827</u>	<u>\$ 19,438,135</u>

**Jackson County Intermediate School District**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 8,996,690
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	22,928,829
Deduct: accumulated depreciation	(13,093,147)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance	
Add: deferred long-term Durant Settlement receivable	2,025,690
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets	
Add: net assets of governmental activities accounted for in internal service fund	44,998
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: bonds payable	(1,793,605)
Deduct: compensated absences	(117,461)
Net assets of governmental activities	\$ 18,991,994

The accompanying notes are an integral part of these financial statements

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Durant Debt Service</u>
<b>Revenue</b>				
Local sources	\$ 2,203,839	\$ 25,034,705	\$ 9,913,710	\$ -
State sources	3,220,131	7,595,742	1,318,470	-
Federal sources	776,242	6,268,815	359,607	-
	<u>6,200,212</u>	<u>38,899,262</u>	<u>11,591,787</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Instruction	-	7,727,038	6,214,299	-
Supporting services	6,333,583	15,318,903	3,775,070	-
Payments to other governmental entities or units	1,019,140	13,915,633	-	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
Durant capital improvements	-	-	-	-
Technology capital improvements	-	-	-	-
	<u>7,352,723</u>	<u>36,961,574</u>	<u>9,989,369</u>	<u>-</u>
Total expenditures	<u>7,352,723</u>	<u>36,961,574</u>	<u>9,989,369</u>	<u>-</u>
Revenue over (under) expenditures	<u>(1,152,511)</u>	<u>1,937,688</u>	<u>1,602,418</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Proceeds from insurance recoveries	-	-	-	-
Transfers in from other funds	1,505,980	-	-	-
Transfers out to other funds	(388,381)	(930,830)	(1,375,150)	-
	<u>1,117,599</u>	<u>(930,830)</u>	<u>(1,375,150)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,117,599</u>	<u>(930,830)</u>	<u>(1,375,150)</u>	<u>-</u>
Net change in fund balances	(34,912)	1,006,858	227,268	-
Fund balances, beginning of year	<u>1,720,877</u>	<u>811,923</u>	<u>3,459,631</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,685,965</u>	<u>\$ 1,818,781</u>	<u>\$ 3,686,899</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statement

<b>Other Governmental Funds</b>	<b>Totals</b>
\$ 135,889	\$ 37,288,143
66,688	12,201,031
-	7,404,664
<u>202,577</u>	<u>56,893,838</u>
-	13,941,337
61,146	25,488,702
-	14,934,773
22,185	22,185
2,744	2,744
125,783	125,783
80,038	80,038
<u>291,896</u>	<u>54,595,562</u>
<u>(89,319)</u>	<u>2,298,276</u>
12,880	12,880
1,188,381	2,694,361
-	(2,694,361)
<u>1,201,261</u>	<u>12,880</u>
1,111,942	2,311,156
693,103	6,685,534
<u>\$ 1,805,045</u>	<u>\$ 8,996,690</u>

**Jackson County Intermediate School District**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental fund	\$	2,311,156
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Add: capital outlay	506,879
Deduct: depreciation expense	(882,419)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year

Deduct: payments received on long-term Durant Settlement receivable	(293,381)
---	-----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	22,185
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: decrease in the accrual for compensated absence	(25,733)
---	----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities

Add: net income from governmental activities accounted for in internal service funds	22,095
--	--------

Change in net assets of governmental activities	\$	<u>1,660,782</u>
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The accompanying notes are an integral part of these financial statements



**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	2007				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2006 Actual
<b>Revenue</b>					
Local sources:					
Property tax levy	\$ 1,420,278	\$ 1,420,278	\$ 1,421,692	\$ 1,414	\$ 1,327,238
Other taxes	5,140	5,140	28,497	23,357	24,602
Penalties and interest on taxes	250	250	2,891	2,641	2,148
Earnings on investments and deposits	100,000	100,000	160,473	60,473	111,918
Rentals	16,000	16,000	15,835	(165)	14,133
Other	958,253	941,039	574,451	(366,588)	735,094
Total local sources	2,499,921	2,482,707	2,203,839	(278,868)	2,215,133
State sources:					
State school aid	2,512,639	2,505,638	2,490,917	(14,721)	2,418,191
Durant	293,381	293,381	293,381	-	293,381
Other	357,920	551,827	435,833	(115,994)	466,810
Total state sources	3,163,940	3,350,846	3,220,131	(130,715)	3,178,382
Federal sources:					
Title II	937	1,068	913	(155)	-
Title V	21,484	12,053	10,329	(1,724)	29,982
Drug Free	177,000	214,479	212,306	(2,173)	183,670
Other	-	542,152	552,694	10,542	111,458
Total federal sources	199,421	769,752	776,242	6,490	325,110
Total revenue	5,863,282	6,603,305	6,200,212	(403,093)	5,718,625
<b>Expenditures</b>					
Instruction - basic programs	-	-	-	-	2,551
Supporting services:					
Pupil support	131,894	209,823	192,863	(16,960)	193,688
Instructional support	2,692,041	2,798,466	2,492,530	(305,936)	2,608,108
General administration	738,383	589,376	695,319	105,943	813,712
Business services	1,050,540	1,050,540	963,471	(87,069)	982,034
Operations and maintenance	645,427	691,239	573,417	(117,822)	550,462
Central services	1,421,818	1,433,992	1,415,983	(18,009)	1,344,505
Total supporting services	6,680,103	6,773,436	6,333,583	(439,853)	6,492,509

continued...

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Concluded**  
**General Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	<b>2007</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>2006 Actual</b>
<b>Expenditures (concluded)</b>					
Payments to other governmental entities or units	\$ 669,280	\$ 1,149,950	\$ 1,019,140	\$ (130,810)	\$ 1,342,880
Total expenditures	7,349,383	7,923,386	7,352,723	(570,663)	7,837,940
Revenue over (under) expenditures	(1,486,101)	(1,320,081)	(1,152,511)	167,570	(2,119,315)
<b>Other financing sources (uses)</b>					
Transfers in	1,350,830	1,430,830	1,505,980	75,150	2,445,000
Transfers out	(293,381)	(388,381)	(388,381)	-	(1,043,381)
Total other financing sources	1,057,449	1,042,449	1,117,599	75,150	1,401,619
Net change in fund balance	(428,652)	(277,632)	(34,912)	242,720	(717,696)
Fund balance, beginning of year	1,720,877	1,720,877	1,720,877	-	2,438,573
<b>Fund balance, end of year</b>	<b>\$ 1,292,225</b>	<b>\$ 1,443,245</b>	<b>\$ 1,685,965</b>	<b>\$ 242,720</b>	<b>\$ 1,720,877</b>

The accompanying notes are an integral part of these financial statements.

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Special Education Special Revenue Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	<b>2007</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>2006 Actual</b>
<b>Revenue</b>					
Local sources:					
Property taxes	\$ 23,226,608	\$ 23,226,608	\$ 23,304,602	\$ 77,994	\$ 21,760,550
Other taxes	182,600	182,600	159,938	(22,662)	116,872
Penalties and interest on taxes	30,500	30,500	47,399	16,899	34,268
Earnings on investments and deposits	100,000	100,000	170,030	70,030	120,306
Contributions	18,000	18,000	113	(17,887)	1,575
Medicaid fee for service	1,100,000	1,100,000	1,314,078	214,078	1,261,705
Rent	10,500	10,500	10,200	(300)	10,200
Other	17,000	17,000	28,345	11,345	24,968
Total local sources	<u>24,685,208</u>	<u>24,685,208</u>	<u>25,034,705</u>	<u>349,497</u>	<u>23,330,444</u>
State sources:					
State school aid - unrestricted	6,859,286	1,590,950	1,008,737	(582,213)	1,000,415
State school aid - restricted	167,705	5,872,601	6,587,005	714,404	6,021,487
Total state sources	<u>7,026,991</u>	<u>7,463,551</u>	<u>7,595,742</u>	<u>132,191</u>	<u>7,021,902</u>
Federal sources:					
IDEA Flowthrough	5,320,600	5,320,599	5,341,976	21,377	5,332,865
Preschool incentive	240,763	235,948	236,865	917	240,763
Infant and toddler early intervention	192,723	205,958	351,955	145,997	192,723
State initiated	145,000	145,000	338,019	193,019	128,119
Total federal sources	<u>5,899,086</u>	<u>5,907,505</u>	<u>6,268,815</u>	<u>361,310</u>	<u>5,894,470</u>
Total revenue	<u>37,611,285</u>	<u>38,056,264</u>	<u>38,899,262</u>	<u>842,998</u>	<u>36,246,816</u>
<b>Expenditures</b>					
Instruction:					
Added needs - special education	<u>7,723,608</u>	<u>7,708,485</u>	<u>7,727,038</u>	<u>18,553</u>	<u>7,732,733</u>

continued...

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Concluded**  
**Special Education Special Revenue Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	<b>2007</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>2006 Actual</b>
<b>Expenditures (continued)</b>					
Supporting services:					
Pupil support	\$ 10,086,525	\$ 9,940,112	\$ 9,561,798	\$ (378,314)	\$ 9,722,583
Instructional support	971,630	1,069,473	1,084,076	14,603	956,860
General administration	667,326	663,981	834,753	170,772	681,548
School administration	331,903	331,903	298,503	(33,400)	298,122
Business services	93,590	93,590	74,252	(19,338)	159,498
Operations and maintenance	588,416	588,416	654,948	66,532	641,883
Transportation	2,386,222	2,538,136	2,600,128	61,992	2,474,637
Central services	262,479	223,037	210,445	(12,592)	215,819
Total supporting services	15,388,091	15,448,648	15,318,903	(129,745)	15,150,950
Payments to other governmental entities or units	13,740,329	13,673,977	13,915,633	241,656	13,642,663
Total expenditures	36,852,028	36,831,110	36,961,574	130,464	36,526,346
Revenue over expenditures	759,257	1,225,154	1,937,688	712,534	(279,530)
<b>Other financing sources (uses)</b>					
Proceeds from sales of capital assets	-	-	-	-	11,848
Transfers in	-	-	-	-	750,000
Transfers out	(757,514)	(923,866)	(930,830)	(6,964)	(710,000)
Total other financing (uses)	(757,514)	(923,866)	(930,830)	(6,964)	51,848
Net change in fund balance	1,743	301,288	1,006,858	705,570	(227,682)
Fund balance, beginning of year	811,923	811,923	811,923	-	1,039,605
<b>Fund balance, end of year</b>	<b>\$ 813,666</b>	<b>\$ 1,113,211</b>	<b>\$ 1,818,781</b>	<b>\$ 705,570</b>	<b>\$ 811,923</b>

The accompanying notes are an integral part of these financial statements.

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Vocational Education Special Revenue Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	2007				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2006 Actual
<b>Revenue</b>					
Local sources:					
Property taxes	\$ 8,855,844	\$ 8,855,844	\$ 8,894,499	\$ 38,655	\$ 8,302,389
Other taxes	74,000	74,000	59,622	(14,378)	47,020
Penalties and interest on taxes	11,000	11,000	18,084	7,084	13,075
Tuition	147,000	147,000	264,379	117,379	271,628
Earnings on investments and deposits	200,000	200,000	235,642	35,642	249,864
Other	513,909	513,909	441,484	(72,425)	135,309
Total local sources	9,801,753	9,801,753	9,913,710	111,957	9,019,285
State sources:					
State school aid	966,776	941,776	921,594	(20,182)	911,862
Vocational education	425,210	425,210	384,876	(40,334)	400,338
Other	10,100	10,100	12,000	1,900	12,000
Total state sources	1,402,086	1,377,086	1,318,470	(58,616)	1,324,200
Federal sources:					
Perkins	298,133	306,668	306,668	-	298,133
Tech prep	52,183	52,939	52,939	-	52,183
Total federal sources	350,316	359,607	359,607	-	350,316
Total revenue	11,554,155	11,538,446	11,591,787	53,341	10,693,801
<b>Expenditures</b>					
Instruction:					
Basic programs - vocational education	6,212,928	6,340,350	5,998,505	(341,845)	5,484,986
Adult education	242,784	242,784	215,794	(26,990)	222,665
Total instruction	6,455,712	6,583,134	6,214,299	(368,835)	5,707,651

continued...

**Jackson County Intermediate School District**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Concluded**  
**Vocational Education Special Revenue Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Actual Amounts for the Year Ended June 30, 2006**

	2007				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2006 Actual
<b>Expenditures (continued)</b>					
Supporting services:					
Pupil support	\$ 998,584	\$ 991,484	\$ 909,861	\$ (81,623)	\$ 897,009
Instructional support	588,922	624,593	429,417	(195,176)	481,982
General administration	249,492	231,821	282,139	50,318	301,018
School administration	677,925	667,925	594,541	(73,384)	656,894
Operations and maintenance	1,159,873	1,109,373	1,089,805	(19,568)	961,391
Transportation	76,568	61,016	23,593	(37,423)	76,874
Central services	612,519	627,582	445,714	(181,868)	450,974
Total supporting services	4,363,883	4,313,794	3,775,070	(538,724)	3,826,142
Total expenditures	10,819,595	10,896,928	9,989,369	(907,559)	9,533,793
Revenue over expenditures	734,560	641,518	1,602,418	960,900	1,160,008
<b>Other financing (uses)</b>					
Transfers out	(660,000)	(1,320,000)	(1,375,150)	(55,150)	(1,735,000)
Net change in fund balance	74,560	(678,482)	227,268	905,750	(574,992)
Fund balance, beginning of year	3,459,631	3,459,631	3,459,631	-	4,034,623
<b>Fund balance, end of year</b>	<u>\$ 3,534,191</u>	<u>\$ 2,781,149</u>	<u>\$ 3,686,899</u>	<u>\$ 905,750</u>	<u>\$ 3,459,631</u>

The accompanying notes are an integral part of these financial statements.

**Jackson County Intermediate School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	<b><u>Governmental Activities - Internal Service Funds</u></b>
<b>Assets</b>	
Due from other governments	\$ 3,826
Due from other funds	<u>58,719</u>
Total assets	<u>62,545</u>
<b>Liabilities</b>	
Due to other funds	<u>17,547</u>
Total liabilities	<u>17,547</u>
<b>Net assets</b>	
Unrestricted	<u><u>\$ 44,998</u></u>

The accompanying notes are an integral part of these financial statements.

**Jackson County Intermediate School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Operating revenues</b>	
Charges for services	\$ 36,744
<b>Operating expenses</b>	
Supporting services	<u>14,649</u>
Total operating expenses	<u>14,649</u>
Operating income	22,095
Net assets, beginning of year	<u>22,903</u>
<b>Net assets, end of year</b>	<u><u>\$ 44,998</u></u>

The accompanying notes are an integral part of these financial statements.



**Jackson County Intermediate School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 14,649
Cash payments for goods and services	(14,649)
Net cash provided by operating activities	-
Cash and cash equivalents, beginning of year	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 22,095
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Change in:	
Due from other governments	5,422
Due from other funds	(43,321)
Due to other funds	15,804
Net cash provided by operating activities	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**Jackson County Intermediate School District**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2007**

**Assets**

Cash and cash equivalents	<u>\$ 23,207</u>
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**Liabilities**

Due to student groups	<u>\$ 23,207</u>
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The accompanying notes are an integral part of these financial statements.

## **Notes to the Financial Statements**

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Jackson County Intermediate School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, except for agency funds, which do not have a measurement focus, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received and grant and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Education Special Revenue Fund* accounts for special education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *Vocational Education Special Revenue Fund* accounts for vocational education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *Durant Debt Service Fund* accounts for the retirement of the Durant Bonds, which are financed through restricted state aid payments.

Additionally, the District reports the following fund types:

*Special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

*Capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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*Internal service funds* are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value based on quoted market prices.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

#### **3. Inventories and prepaids**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. Capital assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years, or computer equipment with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Furniture and equipment	5-20
Transportation equipment	5-10

### 5. *Compensated absences*

*Vacation and Sick Pay* – Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The District's sick pay and personal leave policies allow for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick and personal days are forfeited. It is the District's policy to recognize the cost of such leave at the time payments are made.

The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated vacation days. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

### 6. *Long-term obligations*

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### 7. *Fund balance*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary information

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All annual appropriations lapse at fiscal year end. The budgets for the General and special revenue funds are adopted on a functional basis.

### B. Excess of expenditures over appropriations

Budget to actual comparisons for the General Fund and each major Special Revenue Fund are presented in the fund financial statements at the legal level of budgetary control.

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund:			
Supporting services			
General administration	\$ 589,376	\$ 695,319	\$ 105,943
Special Education:			
Instruction			
Added needs	7,708,485	7,727,038	18,553
Supporting services			
Instructional support	1,069,473	1,084,076	14,603
General administration	663,981	834,753	170,772
Operations and maintainance	588,416	654,948	66,532
Transportation	2,538,136	2,600,128	61,992
Payments to other governments	13,673,977	13,915,633	241,656
Transfers out	923,866	930,830	6,964
Vocational Education:			
General administration	231,821	282,139	50,318
Tranfers out	1,320,000	1,375,150	55,150



# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities follows:

**Statement of Net Assets**

Cash and cash equivalents	\$ 9,737,800
Investments	762,079

**Statement of Fiduciary Assets and Liabilities**

Cash and cash equivalents	<u>23,207</u>
---------------------------	---------------

**\$ 10,253,086**

Cash on hand	\$ 4,248
Bank deposits (checking accounts, savings accounts and CDs)	9,096,500
Investments	<u>1,422,338</u>

**\$ 10,523,086**

**Statutory Authority**

State statutes authorize the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At June 30, 2007, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Comerica Investment Pool	n/a	\$ 660,259	n/a
GE Commercial Paper	9/10/07	422,831	S&P – AAA
Michigan Liquid Asset Fund	n/a	<u>339,248</u>	S&P – AAAm
		<u><b>\$ 1,422,338</b></u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$10,203,173 of the District's bank balance of \$10,505,076 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. \$422,831 of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### B. Receivables

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Special Education	Vocational Education	Durant Debt Service	Nonmajor Funds	Internal Service Funds	Total	Amount Not Expected to be Collected Within One Year
Intergovernmental	\$ 869,397	\$ 2,240,398	\$ 723,632	\$ 1,732,309	\$ 28,542	\$ 3,826	\$ 5,598,104	\$ 1,732,309
Long-term employee	-	9,292	-	-	-	-	9,292	6,081
Note	-	74,263	-	-	-	-	74,263	38,881
<b>Total</b>	<b>\$ 869,397</b>	<b>\$ 2,323,953</b>	<b>\$ 723,632</b>	<b>\$ 1,732,309</b>	<b>\$ 28,542</b>	<b>\$ 3,826</b>	<b>\$ 5,681,659</b>	<b>\$ 1,777,271</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund	\$ 293,381	\$ 86,216
Special Education (special revenue fund)	-	3,000
Vocational Education (special revenue fund)	-	364,887
Durant Debt Service Fund	<u>1,732,309</u>	<u>-</u>
	<b><u>\$ 2,025,690</u></b>	<b><u>\$ 454,103</u></b>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>				
Construction In Progress	\$ -	\$ 60,819	\$ -	\$ 60,819
<b>Total Capital Assets Not Being Depreciated</b>	<u>-</u>	<u>60,819</u>	<u>-</u>	<u>60,819</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	112,027	-	-	112,027
Building & Improvements	18,422,465	42,875	-	18,465,340
Furniture & Equipment	1,983,423	174,258	-	2,157,681
Transportation Equipment	1,904,035	228,927	-	2,132,962
<b>Total Capital Assets Being Depreciated</b>	<u>22,421,950</u>	<u>446,060</u>	<u>-</u>	<u>22,868,010</u>
<b>Less Accumulated Depreciation For:</b>				
Land Improvements	12,472	3,481	-	15,953
Building & Improvements	10,340,698	545,216	-	10,885,914
Furniture & Equipment	1,120,799	120,426	-	1,241,225
Transportation Equipment	736,759	213,296	-	950,055
<b>Total Accumulated Depreciation</b>	<u>12,210,728</u>	<u>882,419</u>	<u>-</u>	<u>13,093,147</u>
<b>Total Capital Assets Being Depreciation, Net</b>	<u>10,211,222</u>	<u>(436,359)</u>	<u>-</u>	<u>9,774,863</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 10,211,222</u>	<u>\$ (375,540)</u>	<u>\$ -</u>	<u>\$ 9,835,682</u>

Depreciation expense of \$882,419 was reported on the statement of activities as “unallocated depreciation” (i.e., not allocated to functions/programs).

### D. Payables

Accounts payable and accrued liabilities as of year end for the District’s individual major funds are as follows:

	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Total</u>
<b>Fund Financial Statements:</b>				
Accounts payable	\$ 674,639	\$ 140,949	\$ 53,795	\$ 869,383
Salaries payable	41,120	1,695,680	552,663	2,289,463
Accrued liabilities	75,451	969,250	315,892	1,360,593
Due to other governments	<u>49,440</u>	<u>785,518</u>	<u>309,169</u>	<u>1,144,127</u>
	<u><b>\$ 840,650</b></u>	<u><b>\$ 3,591,397</b></u>	<u><b>\$ 1,231,519</b></u>	<u><b>\$ 5,663,566</b></u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### E. Interfund receivables, payables and transfers

At June 30, 2007, interfund receivables and payables consisted of the following:

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ 1,158,566	\$ 309,319
Special Education Fund	217,898	987,300
Vocational Education Fund	805,840	51,218
Nonmajor governmental funds	115,782	909,077
Internal service fund	<u>17,547</u>	<u>58,719</u>
	<u><b>\$ 2,315,633</b></u>	<u><b>\$ 2,315,633</b></u>

For the year ended June 30, 2007, interfund transfers consisted of the following:

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$ 388,381	\$ 1,505,980
Special Education Fund	930,830	-
Vocational Education Fund	1,375,150	-
Nonmajor governmental funds	<u>-</u>	<u>1,188,381</u>
	<u><b>\$ 2,694,361</b></u>	<u><b>\$ 2,694,361</b></u>

The District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2007, the District transferred funds to provide funds for capital projects and to return surplus special education and vocational education funds to the General Fund.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### F. Long-Term debt

Long-term debt and other obligations of the District at June 30, 2007, are summarized as follows:

	<b>Long-Term Debt Outstanding at July 1, 2006</b>	<b>Additions</b>	<b>Retirements</b>	<b>Long-Term Debt Outstanding at June 30, 2007</b>	<b>Amount Due Within One Year</b>
1998 Durant School Improvement Bonds, due in annual installments of \$129,361 to \$264,932 through the year 2013; interest at 4.8% *	\$ 1,732,309	\$ -	\$ -	\$ 1,732,309	\$ -
Networking Equipment Installment Purchase Agreement, due in annual installments of \$14,362 to \$96,948 through the year 2010; interest at 3.74%	<u>83,481</u>	<u>-</u>	<u>22,185</u>	<u>61,296</u>	<u>23,029</u>
<b>Total Installment Debt</b>	<b>1,815,790</b>	<b>-</b>	<b>22,185</b>	<b>1793,605</b>	<b>23,029</b>
Compensated absences	<u>91,728</u>	<u>25,733</u>	<u>-</u>	<u>117,461</u>	<u>117,461</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 1,907,518</u></b>	<b><u>\$ 25,733</u></b>	<b><u>\$ 22,185</u></b>	<b><u>\$ 1,911,066</u></b>	<b><u>\$ 140,490</u></b>

- \* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. Bond payments were suspended for the years ended 2003, 2004, 2005, 2007 and 2008 and resume in 2009.

Compensated absences are generally liquidated by the general, special education, and vocational education funds.

Future principal and interest payment requirements on outstanding debt are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	\$ 23,029	\$ 1,900	\$ 24,929
2009	1,021,626	387,539	1,409,165
2010	185,404	35,157	220,561
2011	179,189	26,832	206,021
2012	187,711	18,301	206,012
2013	<u>196,646</u>	<u>9,363</u>	<u>206,009</u>
<b>Total</b>	<b><u>\$ 1,793,605</u></b>	<b><u>\$ 479,092</u></b>	<b><u>\$ 2,272,697</u></b>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### IV. OTHER INFORMATION

#### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The District is self insured to provide health benefits for certain employee groups. The District estimates the liability for its self-insured coverages and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the District's third-party administrators for claims management and are recorded in the General Fund. Changes in the estimated liability are as follows:

	<u>2007</u>
Estimated liability, beginning of year	\$ 53,277
Estimated claims incurred, including changes in estimates	419,620
Claim payments	<u>(423,402)</u>
<b>Estimated liability, end of year</b>	<b><u>\$ 49,495</u></b>

#### B. Property taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on whose boundaries include property within the District and are due on September 15.

#### C. Defined benefit pension plan

##### *Plan Description*

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### *Funding Policy*

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2007, 2006, and 2005, were \$3,578,114, \$3,349,552, and \$2,841,299 respectively, equal to the required contributions for each year.

### *Other Post Employment Benefits*

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

\* \* \* \* \*



## **Combining and Individual Fund Financial Statements**

**Jackson County Intermediate School District**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	<u>Special Revenue Training Assistance</u>	<u>Capital Projects Technology Capital Projects</u>	<u>Durant Capital Projects</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 345,618	\$ 144,861	\$ 492,729	\$ 983,208
Due from other governments	11,542	17,000	-	28,542
Due from other funds	-	-	909,077	909,077
	<u>-</u>	<u>-</u>	<u>909,077</u>	<u>909,077</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 357,160</u>	<u>\$ 161,861</u>	<u>\$ 1,401,806</u>	<u>\$ 1,920,827</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Due to other funds	\$ 32,215	\$ 54,410	\$ 29,157	\$ 115,782
	<u>32,215</u>	<u>54,410</u>	<u>29,157</u>	<u>115,782</u>
<b>Fund balances</b>				
Unreserved, undesignated	324,945	107,451	1,372,649	1,805,045
	<u>324,945</u>	<u>107,451</u>	<u>1,372,649</u>	<u>1,805,045</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 357,160</u>	<u>\$ 161,861</u>	<u>\$ 1,401,806</u>	<u>\$ 1,920,827</u>

**Jackson County Intermediate School District**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue Training Assistance</u>	<u>Capital Projects Technology Capital Projects</u>	<u>Durant Capital Projects</u>	<u>Totals</u>
<b>Revenue</b>				
Local revenue:				
Tuition	\$ 8,830	\$ -	\$ -	\$ 8,830
Earnings on investments and deposits	-	6,379	19,756	26,135
Other	14,885	86,039	-	100,924
State revenue	66,688	-	-	66,688
	<u>90,403</u>	<u>92,418</u>	<u>19,756</u>	<u>202,577</u>
<b>Expenditures</b>				
Supporting services - other	61,146	-	-	61,146
Debt service:				
Principal	-	22,185	-	22,185
Interest	-	2,744	-	2,744
Capital outlay:				
Durant capital improvements	-	-	125,783	125,783
Technology capital improvements	-	80,038	-	80,038
	<u>61,146</u>	<u>104,967</u>	<u>125,783</u>	<u>291,896</u>
Revenue over (under) expenditures	<u>29,257</u>	<u>(12,549)</u>	<u>(106,027)</u>	<u>(89,319)</u>
<b>Other financing sources</b>				
Proceeds from insurance recoveries	-	12,880	-	12,880
Transfers in	-	-	1,188,381	1,188,381
	<u>-</u>	<u>12,880</u>	<u>1,188,381</u>	<u>1,201,261</u>
Net change in fund balances	29,257	331	1,082,354	1,111,942
Fund balance, beginning of year	<u>295,688</u>	<u>107,120</u>	<u>290,295</u>	<u>693,103</u>
<b>Fund balance, end of year</b>	<u><u>\$ 324,945</u></u>	<u><u>\$ 107,451</u></u>	<u><u>\$ 1,372,649</u></u>	<u><u>\$ 1,805,045</u></u>

## **Single Audit**

**Jackson County Intermediate School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass- Through Grantor's Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue, End of Year
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed-through Michigan Department of Education:							
2005-2006 IDEA Flowthrough	84.027	060450/0506	\$ 5,332,865	\$ 455,327	\$ 455,327	\$ -	\$ -
2006-2007 IDEA Flowthrough	84.027A	070450/0607	5,341,976	-	4,959,857	5,341,976	382,119
			<u>10,674,841</u>	<u>455,327</u>	<u>5,415,184</u>	<u>5,341,976</u>	<u>382,119</u>
2005-2006 State Initiated/Competitive EOSD	84.027	060480/EOSD	55,000	13,074	13,074	-	-
2006-2007 State Initiated/Competitive EOSD	84.027A	070480/EOSD	55,000	-	37,574	55,000	17,426
			<u>110,000</u>	<u>13,074</u>	<u>50,648</u>	<u>55,000</u>	<u>17,426</u>
2005-2006 State Initiated/Department TS	84.027A	060490-TS	90,000	34,823	34,823	-	-
2006-2007 State Initiated/Department TS	84.027A	070490-TS	90,000	-	58,767	77,063	18,296
			<u>180,000</u>	<u>34,823</u>	<u>93,590</u>	<u>77,063</u>	<u>18,296</u>
2006-2007 Preschool Incentive	84.173A	070460/0607	236,865	-	236,865	236,865	-
2005-2006 Infant and Toddler Formula	84.181A	061340/190	192,723	70,904	70,904	-	-
2006-2007 Infant and Toddler Formula	84.181A	071340/190	205,958	-	103,589	205,958	102,369
			<u>398,681</u>	<u>70,904</u>	<u>174,493</u>	<u>205,958</u>	<u>102,369</u>
2004-2005 Drug Free Grant - Carry-Over	84.186	05286C/0506	21,605	4,034	4,034	-	-
2005-2006 Drug Free Grant	84.186	062860/0506	208,609	50,710	53,398	2,688	-
2005-2006 Drug Free Grant Carryover	84.186A	062860/0607	43,856	-	36,701	43,856	7,155
2006-2007 Drug Free Grant	84.186	072860/0607	170,623	-	96,449	165,762	69,313
			<u>444,693</u>	<u>54,744</u>	<u>190,582</u>	<u>212,306</u>	<u>76,468</u>
2005-2006 Title V, Part A Title VI	84.298	060250/0506	21,484	13,532	13,532	-	-
2005-2006 Title V, Part A Title VI Carryover	84.298	060250/0607	2,233	-	2,233	2,233	-
2006-2007 Title V, Part A Innovative	84.298	070250/0607	9,820	-	6,648	8,095	1,447
			<u>33,537</u>	<u>13,532</u>	<u>22,413</u>	<u>10,328</u>	<u>1,447</u>
2005-2006 Title II, Part A Regular	84.367	060520/0506	937	356	356	-	-
2005-2006 Title II, Part A Regular Carryover	84.367	060520/0607	131	-	131	131	-
2006-2007 Title II, Part A Regular	84.367	070520/0607	937	-	782	782	-
			<u>2,005</u>	<u>356</u>	<u>1,269</u>	<u>913</u>	<u>-</u>
Subtotal passed-through Michigan Department of Education			<u>12,080,622</u>	<u>642,760</u>	<u>6,185,044</u>	<u>6,140,409</u>	<u>598,125</u>
Passed-through Hillsdale County Intermediate School District:							
2005-2006 Perkins	84.048A	N/A	298,133	86,714	86,714	-	-
2006-2007 Perkins	84.048A	N/A	306,668	-	217,860	306,668	88,808
2005-2006 Vocational Education Tech Prep	84.048A	N/A	52,183	18,853	18,853	-	-
2006-2007 Vocational Education Tech Prep	84.048A	N/A	52,939	-	35,665	52,939	17,274
Subtotal passed-through Hillsdale County Intermediate School District			<u>709,923</u>	<u>105,567</u>	<u>359,092</u>	<u>359,607</u>	<u>106,082</u>
Passed-through Jackson Public School District:							
2004-2005 21st Century Grant	84.287C	N/A	8,780	-	-	-	-
2006-2007 21st Century Grant	84.287C	N/A	9,000	(1,198)	9,000	10,198	-
Subtotal passed-through Jackson Public School District			<u>17,780</u>	<u>(1,198)</u>	<u>9,000</u>	<u>10,198</u>	<u>-</u>
<b>Total U.S. Department of Education</b>			<u>12,808,325</u>	<u>747,129</u>	<u>6,553,136</u>	<u>6,510,214</u>	<u>704,207</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed through Michigan Department of Community Health:							
Child Care and Development Block Grant							
2006-2007 Early Childhood Investment Corporation	93.575	ECIC-06-GSC-Jack 006	247,500	(872)	62,261	83,839	20,706
2006-2007 Medicaid Outreach	93.778	N/A	-	(532,069)	145,061	351,955	(325,175)
2006-2007 Medicaid Transportation	93.778	N/A	-	-	39,711	-	(39,711)
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>247,500</u>	<u>(532,941)</u>	<u>247,033</u>	<u>435,794</u>	<u>(344,180)</u>
<b>U.S. Institute of Museum and Library Services</b>							
2005-2006 National Leadership Grant (Congressman Smith)	45.312	N/A	350,000	72,724	72,724	-	-
2006-2007 National Leadership Grant (Congressman Smith)	45.312	N/A	347,935	-	83,905	134,180	50,275
<b>Total U.S. Institute of Museum and Library Services</b>			<u>697,935</u>	<u>72,724</u>	<u>156,629</u>	<u>134,180</u>	<u>50,275</u>
2006-2007 Freedom to Learn (Title II Part D Ed Tech)	84.318	064240-1/0607	300,000	-	178,783	300,000	121,217
2007-2008 Freedom to Learn (Title II Part D Ed Tech)	84.318	074280-2-4/0607	197,918	-	-	19,476	19,476
			<u>497,918</u>	<u>-</u>	<u>178,783</u>	<u>319,476</u>	<u>140,693</u>
<b>NASA</b>							
2006-2007 Aerospace Education Services Program	43.001	N/A	5,000	-	5,000	5,000	-
<b>Total Expenditures of Federal Awards</b>			<u>\$ 14,256,678</u>	<u>\$ 286,912</u>	<u>\$ 7,140,581</u>	<u>\$ 7,404,664</u>	<u>\$ 550,995</u>

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

### 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Jackson County Intermediate School District (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in this schedule agree or reconcile to the amounts presented in, or used in the preparation of, the financial statements, and the financial reports filed with the Michigan Department of Education.

The District's reporting entity is defined in Note I of the District's financial statements. The District administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the District's reporting entity. Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA Flowthrough	84.027	\$ 159,000
Infant and Toddler Formula	84.181	170,687
Title V, Part A	84.298	2,964
National Leadership Grant	45.312	84,884
Freedom to Learn	84.318	6,481
Drug Free Grants	84.186	<u>48,368</u>
<b>Total</b>		<b><u>\$ 472,384</u></b>

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the District's financial statements.

### 3. OTHER INFORMATION

The amounts reported on the R7120 (Grants Section Auditors Report) reconcile to the accompanying Schedule of Expenditures of Federal Awards.

### 4. MEDICAID OUTREACH

During the year ended June 30, 2007, the District received \$184,772 in funding from the Michigan Department of Community Health for the Medicaid Administrative Outreach and Transportation Program, for distribution to (and subsequent expenditure by) local school districts within the jurisdiction of the Jackson Intermediate School District. Due to uncertainties surrounding whether these funds will eventually have to be repaid to MDCH, the District has elected to defer the distribution of these funds to the local school districts until a later date, when more information is available. Accordingly, the amount received was recorded as deferred revenue, and not reflected as expended on the accompanying Schedule of Expenditures of Federal Awards.

**Jackson County Intermediate School District**  
**Schedule of Federal Sub-Grantee Recipients**  
**For the Year Ending June 30, 2007**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Receipts (Cash Basis)	Current Year Expenditures
<b>IDEA Flowthrough 070450</b> Jackson Public Schools	<b>84.027</b>		\$ 159,000
<b>Infant &amp; Toddler Formula 071340</b> Jackson County Health Department	<b>84.181A</b>		170,687
<b>Title V 070250</b> Jackson Christian Schools Our Lady of Fatima Elementary St. Mary Elementary School St. John's Lumen Christi High School Queen's	<b>84.298</b>		678 140 266 170 1,173 537
TOTAL TITLE V GRANT			2,964
<b>IMLS National Leadership Grant</b> Battle Creek Public Schools	<b>45.312</b>		84,884
<b>Freedom to Learn 064240</b> Jackson Public Schools Springport Schools	<b>84.318</b>		2,806 3,675
TOTAL FREEDOM TO LEARN GRANT			6,481
<b>Drug Free Grants 062860</b> Columbia East Jackson Grass Lake Hanover Horton Michigan Center Springport Vandercook Lake Western da Vinci Trinity Lutheran Elementary Camden-Frontier Schools Hillsdale Schools Jonesville Litchfield North Adams-Jerome Pittsford Waldron Will Carlton Academy	<b>84.186A</b>		960 464 195 341 714 583 499 1,050 136 55 590 893 756 302 241 470 237 54
Total Drug Free Grant 062860			8,540

Continued

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Receipts (Cash Basis)	Current Year Expenditures
			Concluded
<b>Drug Free Grants 072860</b>	<b>84.186A</b>		
JCMS		\$	1,255
Jackson Public Schools			32,087
Columbia			575
East Jackson			84
Grass Lake			238
Hanover Horton			445
Michigan Center			521
Napoleon			500
Northwest			1,367
Springport			36
Vandercook Lake			159
Western			796
da Vinci			124
Jackson Christian Schools			273
Camden-Frontier Schools			36
Jonesville			541
North Adams-Jerome			53
Reading			535
Waldron			155
Will Carlton Academy			48
Total Drug Free Grant 072860			39,828
<b>TOTAL DRUG FREE GRANTS</b>		<b>\$</b>	<b>48,368</b>





**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 12, 2007

Board of Education  
Jackson County Intermediate School District  
Jackson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Jackson County Intermediate School District***, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jackson County Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jackson County Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jackson County Intermediate School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jackson County Intermediate School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

that there is more than a remote likelihood that a misstatement of the Jackson County Intermediate School District's financial statements that is more than inconsequential will not be prevented or detected by the Jackson County Intermediate School District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jackson County Intermediate School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Jackson County Intermediate School District, in a separate letter dated November 12, 2007.

Jackson County Intermediate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Jackson County Intermediate School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAMS AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

November 12, 2007

Board of Education  
Jackson County Intermediate School District  
Jackson, Michigan

**Compliance**

We have audited the compliance of *Jackson County Intermediate School District* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Jackson County Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson County Intermediate School District's management. Our responsibility is to express an opinion on Jackson County Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jackson County Intermediate School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of Jackson County Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County Intermediate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jackson County Intermediate School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Jackson County Intermediate School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Jackson County Intermediate School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

X yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency (ies) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes    X no

# JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.318	Title II Part D- Education Technology
93.778	Medicaid Outreach

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes      no

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2007-1 Audit Adjustments

**Criteria:** The District is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

**Condition:** During the year ended June 30, 2007, the District failed to accurately reconcile several cash accounts. These reconciliations were done after the auditors' field work had started and were completed in late October.

**Cause:** During the year, the District delegated the function of reconciling the cash accounts to a new person in the Business Office. These reconciliations were believed to have been done on a monthly basis during the year.

**Effect:** Several audit adjustments were necessary in order to properly reflect the unrecorded entries in several funds, which delayed the completion of the audit.

**View of  
Responsible  
Officials:**

The District will ensure cash account reconciliations occur on a timely basis with review and approval by the Finance Director.

# **JACKSON COUNTY INTERMEDIATE SCHOOL DISTRICT**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2007**

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### **SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS**

No matters were reported.

### **SECTION IV – PRIOR YEAR FINDINGS**

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